STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: IES UTILITIES INC. and INTERSTATE POWER COMPANY	DOCKET NOS. TF-00-44 TF-00-45

ORDER DOCKETING TARIFFS, REQUIRING ADDITIONAL INFORMATION, AND GRANTING INTERVENTION

(Issued March 29, 2000)

On February 28, 2000, IES Utilities Inc. (IES) and Interstate Power Company (Interstate) each filed with the Utilities Board (Board) three proposed tariff riders, identified as TF-00-44 and TF-00-45, that would allow IES and Interstate to buy back from participating customers a certain amount of firm commitment in order to avoid purchasing higher cost energy. The riders would be available from May 1, 2000, through December 31, 2000, to customers taking power under IES' and Interstate's optional large general service price schedule. IES and Interstate state the proposed riders are designed to provide them with additional tools to meet firm electric demand during peak demand periods.

On March 17, 2000, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed responses. Consumer Advocate said the proposed tariff riders do not appear unreasonable at this time, but that Consumer Advocate would monitor the tariffs' operations to prevent potential abuses caused by IES and Interstate intentionally overestimating demand to free capacity to sell in the wholesale market. On March 22, 2000, the Large Energy Group (LEG), an informal group of over 30 large energy consumers and major employers in Iowa, filed a letter in support of the proposed tariffs. LEG also requested that it be allowed to intervene if there were further proceedings.

IES and Interstate propose to flow the amount of any curtailment payments through the energy adjustment clause (EAC). However, IES and Interstate provide information showing that monthly EAC amounts charged to customers will not increase as a result of the proposed riders because any curtailment payments flowing through the EAC will be less than the power costs incurred without the tariffs. Also, IES and Interstate will not flow curtailment payments through the EAC if the curtailment results in the utilities avoiding a capacity purchase or reliability council penalty for insufficient capacity.

Because this is a voluntary program, the Board does not believe the proposed tariff riders violate the rate freeze agreed to by IES and Interstate in conjunction with the merger proceeding with Wisconsin Power and Light to form Alliant Utilities. The tariffs are an effort to meet, in part, any capacity or energy shortages during peak periods of demand. However, the tariff filings raise broader questions regarding IES' and Interstate's overall efforts to secure adequate supply to meet this summer's projected power requirements and the rate impacts of purchased power costs flowed through the EAC in the context of the utilities' expected generation levels and fuel prices. IES and Interstate will be required to respond to the following questions within ten days from the date of this order:

1.Provide a list of the firm and participation power purchase agreements IES and Interstate have entered into for the months of June, July, August, and September 2000 and 2001. What are the terms and energy and demand costs associated with each of these agreements?

2. Provide a list of the firm and participation power sales agreements IES and Interstate have entered into for the months of June, July, August, and September 2000 and 2001. What are the terms and energy and demand costs associated with each of these agreements?

3.What other resource planning options have been explored or are being explored by IES and Interstate in preparation for the summer of 2000 and 2001 including, but not limited to, the addition of new generation, new interruptible load customers, new controllable load customers, and scheduled unit outages.

4.Submit estimated EAC filings for June, July, August, and September 2000. These estimates should reflect the companies' latest forecasts for summer fuel prices, and power purchases and power sales detailed in the responses to questions 1 and 2.

5. Did IES and Interstate consider incentive payments less than 90 percent of the day ahead market price? If so, why were these lower levels dismissed as being insufficient to provide incentive for firm customers to curtail load?

6. Did IES and Interstate offer a voluntary interruptible load program last year at its own expense? If so, provide details about the number of customers participating, the amount of load affected, and the costs incurred by IES and Interstate for customer incentive payments.

7.Have IES and Interstate made an assessment of customer interest in the proposed tariff riders? If so, submit information on the number of customers expected to participate and the amount of load nominated to the program.

The Board's questions relate to overall planning, the tariffs' projected impact on alleviating any potential shortages, and the appropriateness of flowing, in most instances, the entire amount of the curtailment payments through the EAC. IES' and Interstate's reliance on purchased power, coupled with reduced excess capacity in the region, causes the Board to be concerned about projected power costs to flow through the EAC this summer. While these are not the appropriate dockets for evaluating the reasonableness and prudence of IES' and Interstate's fuel procurement and contracting practices, these practices do impact the reasonableness of the proposed tariffs.

While the Board has concerns that the questions are designed to address, the Board recognizes that IES and Interstate need to move quickly to make the proposed riders available to customers for the peak summer season. The Board does not want to delay implementation of tariffs that may alleviate, at least in part, any energy and capacity shortfalls during peak demand periods. Therefore, the Board will docket the proposed tariffs for implementation, but allow them to go into effect pending the Board's review of the additional information supplied by IES and Interstate. The tariffs will be subject to immediate suspension, but will not be subject to refund, except in the context of a general prudence review of IES' and Interstate's fuel procurement and contracting practices.

The Board intends to expedite its review of the additional information supplied by IES and Interstate. At this time, the Board does not anticipate a hearing. If a hearing or other process is required, it will be set forth in a subsequent order.

The Board will also grant LEG's request to intervene. LEG has a unique interest in this proceeding that should be represented.

IT IS THEREFORE ORDERED:

1. Tariff filings TF-00-44 and TF-00-45 are docketed for investigation but shall become effective as of the date of this order, subject to immediate suspension, but not subject to refund, except in the context of a general prudence review of IES' and Interstate's fuel procurement and contracting practices.

2. IES Utilities Inc. and Interstate Power Company shall respond to the questions contained in this order within ten days of the date of the order.

3. The request to intervene filed by the Large Energy Group on March 22, 2000, is granted.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 29th day of March, 2000.